

GEORGIA HIGHLANDS COLLEGE

Annual Financial Report
Fiscal Year 2021



GEORGIA HIGHLANDS COLLEGE
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For the Fiscal Year Ended June 30, 2021

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Financial Section

Financial Statements (GAAP Basis)

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2021

	Georgia Highlands College	Component Units
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,056,161	\$ —
Cash and Cash Equivalents (Externally Restricted)	49,356	—
Short-term Investments	—	—
Short-term Investments (Externally Restricted)	—	—
Accounts Receivable, net		
Federal Financial Assistance	2,287,142	—
State General Appropriations	—	—
Margin Allocation Funds	—	—
Affiliated Organizations	—	—
Component Units	—	—
Primary Government	—	—
Pledges and Contributions	—	—
Other	924,450	—
Notes Receivable, net	—	—
Due From Other Funds	—	—
Investment in Capital Leases - Primary Government	—	—
Investment in Capital Leases - Other	—	—
Inventories	—	—
Prepaid Items	1,265	—
Other Assets	—	—
Total Current Assets	12,318,374	—
Non-Current Assets		
Accounts Receivable, net		
Affiliated Organizations	—	—
Component Units	—	—
Primary Government	—	—
Due From USO - Capital Liability Reserve Fund	115,505	—
Due From Institution - Capital Liability Reserve Fund	—	—
Pledges and Contributions	—	—
Other	—	—
Investments	—	—
Notes Receivable, net	—	—
Due From Other Funds	—	—
Investment in Capital Leases - Primary Government	—	—
Investment in Capital Leases - Other	—	—
Other Assets	—	—
Non-current Cash (Externally Restricted)	—	—
Short-term Investments (Externally Restricted)	—	—
Investments (Externally Restricted)	47,575	—
Capital Assets, net	68,949,081	—
Total Non-Current Assets	69,112,161	—
TOTAL ASSETS	81,430,535	—
DEFERRED OUTFLOWS OF RESOURCES		
	\$ 13,596,206	\$ —

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2021

	Georgia Highlands College	Component Units
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,036,700	\$ —
Salaries Payable	40,211	—
Benefits Payable	73,512	—
Contracts Payable	—	—
Retainage Payable	310,547	—
Due to Affiliated Organizations	—	—
Due to Component Units	—	—
Due to Primary Government	—	—
Due to Other Funds	—	—
Due to USO - Capital Liability Reserve Fund	—	—
Advances (Including Tuition and Fees)	1,437,505	—
Deposits	120	—
Deposits Held for Other Organizations	109,390	—
Other Liabilities	44,582	—
Notes and Loans Payable	—	—
Lease Purchase Obligations - External	487,246	—
Revenue Bonds and Notes Payable	—	—
Compensated Absences	782,636	—
Total Current Liabilities	4,322,449	—
Non-Current Liabilities		
Due to Affiliated Organizations	—	—
Due to Component Units	—	—
Due to Primary Government	—	—
Due to Other Funds	—	—
Due to USO - Capital Liability Reserve Fund	—	—
Advances (Including Tuition and Fees)	—	—
Other Liabilities	—	—
Notes and Loans Payable	—	—
Lease Purchase Obligations - External	13,408,388	—
Revenue Bonds and Notes Payable	—	—
Compensated Absences	272,652	—
Net Other Post Employment Benefits Liability	36,012,739	—
Net Pension Liability	25,385,182	—
Total Non-Current Liabilities	75,078,961	—
TOTAL LIABILITIES	79,401,410	—
DEFERRED INFLOWS OF RESOURCES	4,441,587	—
NET POSITION		
Net Investment in Capital Assets	54,137,298	—
Restricted for:		
Nonexpendable	47,575	—
Expendable	49,356	—
Unrestricted (Deficit)	(43,050,485)	—
TOTAL NET POSITION	\$ 11,183,744	\$ —

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2021

	Georgia Highlands College	Component Units
OPERATING REVENUES		
Student Tuition and Fees (net)	\$ 11,596,836	\$ —
Federal Appropriations	—	—
Grants and Contracts		—
Federal	345,091	—
State	221,334	—
Other	309,220	—
Sales and Services	133,858	—
Rents and Royalties	105,548	—
Auxiliary Enterprises		—
Residence Halls	—	—
Bookstore	63,828	—
Food Services	57,156	—
Parking/Transportation	102,964	—
Health Services	—	—
Intercollegiate Athletics	922,429	—
Other Organizations	188,953	—
Gifts and Contributions	—	—
Endowment Income	—	—
Other Operating Revenues	600,669	—
Total Operating Revenues	14,647,886	—
OPERATING EXPENSES		
Faculty Salaries	11,201,814	—
Staff Salaries	9,383,209	—
Employee Benefits	10,466,927	—
Other Personal Services	131,611	—
Travel	14,852	—
Scholarships and Fellowships	8,925,855	—
Utilities	1,423,590	—
Supplies and Other Services	8,485,917	—
Depreciation	2,263,360	—
Total Operating Expenses	52,297,135	—
Operating Income (Loss)	\$ (37,649,249)	\$ —

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2021

	Georgia Highlands College	Component Units
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 19,901,180	\$ —
Grants and Contracts		—
Federal	17,908,999	—
State	—	—
Other	—	—
Gifts	1,198,066	—
Investment Income	6,102	—
Interest Expense	(858,588)	—
Other Nonoperating Revenues (Expenses)	(14,041)	—
Net Nonoperating Revenues	38,141,718	—
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	492,469	—
Capital Grants and Gifts		—
Federal	—	—
State	2,817,337	—
Other	—	—
Additions to Permanent and Term Endowments	—	—
Special Item	—	—
Extraordinary Item	—	—
Total Other Revenues, Expenses, Gains or Losses	2,817,337	—
Change in Net Position	3,309,806	—
Net Position, Beginning of Year, As Originally Reported	7,873,938	—
Prior Year Adjustments	—	—
Net Position, Beginning of Year, Restated	7,873,938	—
Net Position, End of Year	\$ 11,183,744	\$ —

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE **STATEMENT OF CASH FLOWS** **FOR FISCAL YEAR ENDED JUNE 30, 2021**

	Georgia Highlands College
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from Customers	\$ 13,939,202
Federal Appropriations	—
Grants and Contracts (Exchange)	2,538,760
Payments to Suppliers	(17,262,727)
Payments to Employees	(20,758,060)
Payments for Scholarships and Fellowships	(8,925,855)
Loans Issued to Students	—
Collection of Loans from Students	—
Other Receipts	—
Other Payments	—
Net Cash Used by Operating Activities	(30,468,680)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Appropriations	19,901,180
Agency Funds Transactions - Receipts	—
Agency Funds Transactions - Disbursements	—
Gifts and Grants Received for Other Than Capital Purposes	16,902,117
Transfer of Endowments to Affiliated Organization	—
Other Non-Capital Financing Receipts	—
Other Non-Capital Financing Payments	—
Net Cash Flows Provided by Non-Capital Financing Activities	36,803,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Gifts and Grants Received	3,437,309
Proceeds from Sale of Capital Assets	—
Purchases of Capital Assets	(4,420,246)
Principal Paid on Capital Debt and Leases	(425,812)
Interest Paid on Capital Debt and Leases	(858,588)
Net Cash Used by Capital and Related Financing Activities	(2,267,337)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	—
Investment Income	2,043
Purchase of Investments	—
Net Cash Provided by Investing Activities	2,043
Net Increase in Cash and Cash Equivalents	4,069,323
Cash and Cash Equivalents, Beginning of Year	5,036,194
Cash and Cash Equivalents, End of Year	\$ 9,105,517

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE **STATEMENT OF CASH FLOWS** **FOR FISCAL YEAR ENDED JUNE 30, 2021**

	Georgia Highlands College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (37,649,249)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	2,263,360
Operating Expenses Related to Noncash Gifts	—
Change in Assets and Liabilities:	
Receivables, net	1,533,956
Inventories	—
Prepaid Items	66,108
Other Assets	
Notes Receivable, Net	—
Accounts Payable	197,239
Salaries Payable	(86,044)
Benefits Payable	(1,345)
Contracts Payable	—
Retainage Payable	—
Deposits	(40)
Advances (Including Tuition and Fees)	259,611
Other Liabilities	(4,958)
Funds Held for Others	46,739
Compensated Absences	(72,141)
Due to Affiliated Organizations	—
Pollution Remediation	—
Claims and Judgments	—
Net Pension Liability	2,035,570
Other Post-Employment Benefit Liability	5,831,175
Change in Deferred Inflows/Outflows of Resources:	
Deferred Inflows of Resources	(1,241,844)
Deferred Outflows of Resources	(3,646,817)
Net Cash Used by Operating Activities	<u>\$ (30,468,680)</u>

NON-CASH INVESTING, NON-CAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

Noncapital Financing Activities Noncash Items:

Noncapital Gifts	\$ —
Current Year Accruals Related to Non-operating Non-capital Grants and Gifts	\$ 2,204,948
Amortization of Non-capital Financing Activities Advances and Deferred Inflows	\$ —
New Non-Capital Financing Debt	\$ —
Increase in Non-Capital Debt Related to Capitalized Interest	\$ —
Other Noncapital Financing Activities Noncash Items	\$ —
Edit Description Other Noncapital Financing Activities Noncash Items	
Noncapital Financing Activities Noncash Items:	
Current Year Accruals Related to Capital Financing Activities	\$ 314,390
Gift of Capital Assets	\$ —
Gain (Loss) on Disposal of Capital Assets	\$ (14,042)
Accrual of Capital Asset Related Payables	\$ 310,547

Capital Assets Acquired Through Prepaid Capital	\$ —
Capital Assets Acquired by Incurring Capital Lease Obligations	\$ —
Deferred Gain (Loss) due to Debt Refundings	\$ (13,895,634)
Increase in Capital Debt due to Capitalized Interest	\$ —
Early Extinguishment of Capital Debt	\$ 14,501,236
Amortization of Capital Financing Activities Advances and Deferred Inflows	\$ —
Amortization of Deferred Gain (Loss) of Capital Debt Refunded	\$ —
Accrual of Capital Financing Interest Payable	\$ —
Other Noncapital Financing Activities Noncash Items	\$ —
Edit Description Other Capital Financing Activities Noncash Items	
Edit Description Other Capital Financing Activities Noncash Items	
Edit Description Other Capital Financing Activities Noncash Items	
Investing Activities Noncash Items:	
Unrealized Gain (Loss) on Investments	\$ 4,059
Gift of Investments	\$ —
Other Investing Activities Noncash Items	\$ —

The notes to the financial statements are an integral part of this statement.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF NET FIDUCIARY POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Receivables	
Other	\$ 717,386
Total Assets	<u>717,386</u>
 LIABILITIES	
Cash Overdraft	635,237
Accounts Payable	<u>1,103</u>
Total Liabilities	<u>636,390</u>
 NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u><u>\$ 80,996</u></u>

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF CHANGES IN NET FIDUCIARY POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Investment Income:	—
Dividends and Interest	
Net Appreciation in Investments Reported at Fair Value	
Less: Investment Expense	
Net Investment Income	<u>—</u>
Federal Financial Aid	6,569,785
State Financial Aid	3,103,772
Other Financial Aid	120,087
Clubs and Other Organizations Fund Raising	170,979
Public-Private Partnership Passthrough	—
Miscellaneous	
	<u> </u>
Total Additions	<u>9,964,623</u>
DEDUCTIONS	
Administrative Expense	
Scholarships and Other Student Support	9,807,516
Student Organizations Support	108,182
Public-Private Partnership Passthrough	
Other Payments	
	<u> </u>
Total Deductions	<u>9,915,698</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>48,925</u>
Net Position, Beginning of Year	
Net Position, Beginning of Year, As Originally Reported	32,071
Prior Year Adjustments	
	<u> </u>
Net Position, Beginning of Year	<u>32,071</u>
Net Position, End of Year	<u><u>80,996</u></u>

Notes to the Financial Statements

GEORGIA HIGHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Georgia Highlands College (Georgia Highlands College) serves the state and national communities by providing its students with academic instruction that advances fundamental knowledge and by disseminating knowledge to the people of Georgia, the nation, and throughout the world.

Reporting Entity

As defined by Official Code of Georgia Annotated (O.C.G.A) § 20-3-50, the Georgia Highlands College is part of the University System of Georgia (USG), an organizational unit of the State of Georgia (the State) under the governance of the Board of Regents (Board). The Board has constitutional authority to govern, control and manage the USG. The Board is composed of 19 members, one member from each congressional district in the State and five additional members from the state-at-large, appointed by the Governor and confirmed by the Senate. Members of the Board serve a seven year term and members may be reappointed to subsequent terms by a sitting governor.

The Georgia Highlands College does not have the right to sue/be sued without recourse to the State. The Georgia Highlands College's property is the property of the State and subject to all the limitations and restrictions imposed upon other property of the State by the Constitution and laws of the State. In addition, the Georgia Highlands College is not legally separate from the State. Accordingly, the Georgia Highlands College is included within the State's basic financial statements as part of the primary government as defined in section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

The accompanying basic financial statements are intended to supplement the State's Comprehensive Annual Financial Report (CAFR) by presenting the financial position and changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of the Georgia Highlands College. These financial statements do not purport to, and do not, present fairly the financial position of the State as of June 30, 2021, the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements should be read in conjunction with the State's CAFR. The most recent State of Georgia CAFR can be obtained through the State Accounting Office, 200 Piedmont Avenue, Suite 1604 (West Tower), Atlanta, Georgia 30334 or online at sao.georgia.gov/comprehensive-annual-financial-reports.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Georgia Highlands College's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position and cash flows.

The Georgia Highlands College's business-type activities and fiduciary fund financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. All significant intra-fund transactions have been eliminated.

The Georgia Highlands College reports the following fiduciary fund:

- Pension and Other Post Employment Benefit Trust Funds - Accounts for the activities of the Early Retirement Plan, the Board of Regents Retiree Health Benefit Fund and the Deferred Compensation Fund.

- Custodial Funds - Accounts for activities of resulting from the Georgia Highlands College acting as an agent or fiduciary for various governments, companies, clubs or individuals.

New Accounting Pronouncements

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests, and amendment of GASB Statements No. 14 and No. 61, effective for fiscal years beginning after December 15, 2018. In fiscal year 2020, Georgia Highlands College adopted GASB statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance which postponed the effective date of Statement No. 90 to fiscal year 2021. The statement addresses owning or acquiring a majority of the equity interest in a legally separate organization. The adoption of this statement does not have a significant impact on the Georgia Highlands College financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of petty cash, demand deposits and time deposits in authorized financial institutions, and cash management pools that have the general characteristics of demand deposit accounts. This includes the State Investment Pool (Georgia Fund 1) and the Board of Regents Short-Term Investment Pool. Cash and Cash Equivalents that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Cash and Cash Equivalents restricted as to use by a third party are reported as externally restricted.

Short-Term Investments

Short-Term Investments consist of investments of 90 days - 13 months. These include certificates of deposits or other time-restricted investments with original maturities of six months or more when purchased. Funds are not readily available and there is a penalty for early withdrawal. Short-Term Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Short-Term Investments restricted as to use by a third party are reported as externally restricted.

Investments

Investments include financial instruments with terms in excess of 13 months, certain other securities for the production of revenue, land, and other real estate held as investments by endowments. The Georgia Highlands College accounts for its investments at fair value. Changes in fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position. The Board of Regents Legal Fund, the Board of Regents Balanced Income Fund, the Board of Regents Total Return Fund, the Board of Regents Diversified Fund, and the Board of Regents Diversified Fund for Foundations are included as investments. Investments that cannot be used to pay current liabilities are classified as non-current assets in the Statement of Net Position. Assets restricted as to use by a third party are reported as externally restricted.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty and staff, the majority of whom reside in the State of Georgia. Accounts receivable also includes amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Georgia Highlands College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Prepaid Items

Payments made to vendors and state and local government organizations for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value (entry price) at the date of donation in the case of gifts. For equipment, the Georgia Highlands College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and/or significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation, which also includes amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, and copyrights, as well as software, is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings,

20 to 25 years for infrastructure and land improvements, 10 years for library books, and 3 to 20 years for equipment. Residual values will generally be 10% of historical costs for infrastructure, buildings and building improvements, and facilities and other improvements.

To fully understand plant additions in the Georgia Highlands College, it is necessary to look at the activities of the Georgia State Financing and Investment Commission (GSFIC) - an organization that is external to the System. GSFIC issues bonds for and on behalf of the State of Georgia, pursuant to powers granted to it in the Constitution of the State of Georgia and the Act creating the GSFIC. The bonds so issued constitute direct and general obligations of the State of Georgia, to the payment of which the full faith, credit and taxing power of the State are pledged.

For projects managed by GSFIC, GSFIC retains construction in progress in its accounting records throughout the construction period and transfers the entire project to the institutional unit of the University System when complete. For projects managed by institutions of the USG, the institutions retain construction in progress on their books and are reimbursed by GSFIC.

Capital Liability Reserve Fund

The Capital Liability Reserve Fund (Fund) was established by the Board of Regents to protect the fiscal integrity of the USG to maintain the strongest possible credit ratings associated with Public Private Venture (PPV) projects and to ensure that the Board of Regents can effectively support its long-term capital lease obligations. All USG institutions participating in the PPV program finance the Fund. The Fund serves as a pooled reserve that is managed by the Board of Regents. The Fund shall only be used to address significant shortfalls and only insofar as a requesting USG institution is unable to make the required PPV capital lease payment to the designated affiliated organization. The Fund will continue as long as the Board of Regents has rental obligations under the PPV program and at the conclusion of the program, funds will be returned to each institution. The balance included on the Georgia Highlands College's Statement of Net Position as Due from USO - Capital Liability Reserve Fund represents the Georgia Highlands College's contribution to the Fund.

Deferred Outflows of Resources

Deferred outflows of resources consist of the consumption of net position that is applicable to a future reporting period.

Deposits

Deposits represent good faith deposits from students to reserve housing assignments, meal plans or other auxiliary services.

Advances

Advances include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Advances also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits Held for Other Organizations

Deposits held for others result primarily from escheated funds that are the result of unclaimed property.

Claims and Judgments

An estimated loss from claims and judgments is recognized when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Pollution Remediation Obligations

Pollution remediation obligations are recorded when the Georgia Highlands College knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for cleanup, calculated using the "expected cash flows" measurement technique.

Compensated Absences

Employee vacation pay is accrued at the end of the fiscal year for financial statement purposes. The liability and expense incurred are recorded at the end of the fiscal year as compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statements of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities

Non-current liabilities include: (1) liabilities that will not be paid within the next fiscal year; (2) capital lease obligations with contractual maturities greater than one year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Deferred Inflows of Resources

Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period.

Other Post-Employment Benefit (OPEB)

The net OPEB liability represents the Georgia Highlands College's proportionate share of the difference between the total OPEB liability and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board of Regents Retiree Health Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Pensions and Net Pension Liability

The net pension liability represents the Georgia Highlands College's proportionate share of the difference between the total pension liability as a result of the exchange for employee services for compensation and the fiduciary net position or the fair value of the plan assets as of a given measurement date.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position, additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by Teachers Retirement System of Georgia and Employees' Retirement System of Georgia. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Service Concession Arrangements

Service concession agreements are arrangements between a government (transferor, one of our institutions) and a third party (operator) in which all of the following criteria are met:

- a) The institution conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The institution has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

Net Position

The Georgia Highlands College's net position is classified as follows:

Net investment in capital assets represents the Georgia Highlands College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. The term "debt obligations" as used in this definition does not include debt of the GSFIC as discussed previously in Note 1 - Capital Assets section.

Restricted - non-expendable net position includes endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. For institution-controlled, donor-restricted endowments, the by-laws of the Board of

Regents of the University System of Georgia permits each individual institution to use prudent judgment in the spending of current realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted - expendable accounts for expenditure as specified by the purpose of the endowment. The Georgia Highlands College maintains pertinent information related to each endowment fund including donor; amount and date of donation; restrictions by the source of limitations; limitations on investments, etc.

Restricted - expendable net position includes resources in which the Georgia Highlands College is legally or contractually obligated to spend resources in accordance with restrictions by external third parties.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Georgia Highlands College, and may be used at the discretion of the governing board or management to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Office of the State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Georgia Highlands College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The Georgia Highlands College, as a political subdivision of the State of Georgia, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The Statement of Revenues, Expenses and Changes in Net Position classifies fiscal year activity as operating and nonoperating according to the following criteria:

- Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) certain federal, state and local grants and contracts, and (3) sales and services.
- Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenue by GASB Statements No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.
- Operating expense includes activities that have the characteristics of exchange transactions.
- Nonoperating expense includes activities that have the characteristics of non-exchange transactions, such as capital financing costs and costs related to investment activity.

Scholarship Allowances

Scholarship allowances are the difference between the stated charge for goods and services provided by the Georgia Highlands College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the Georgia Highlands College's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees and other student charges, the Georgia Highlands College has recorded contra revenue for scholarship allowances. Tuition, fees and other student charges reported on the Statement of Revenues, Expenses and Changes in Net Position are net of discounts and allowances of \$5,669,833.

Restatement of Prior Year Net Position

The Georgia Highlands College had no net position restatement in fiscal year 2020, see below:

	Business-type Activities	Fiduciary Funds
Net position, beginning of year, as originally reported	\$ 7,873,938	
Changes in financial reporting entity	—	—
Changes in accounting principles	—	32,071
Correction of prior year errors		—
Net position, beginning of year, restated	<u>\$ 7,873,938</u>	<u>\$ 32,071</u>

Note 2 Deposits and Investments

Cash and cash equivalents and investments as of June 30, 2021 are classified in the accompanying statement of net position and statement of fiduciary net position as follows:

Cash and Cash Equivalents	\$ 8,420,924
Cash and Cash Equivalents (Externally Restricted)	49,356
Noncurrent Investments (Externally Restricted)	47,575
	<u>\$ 8,517,855</u>

Cash on hand, deposits and investments as of June 30, 2021 consist of the following:

Cash on Hand	\$ 3,368
Deposits with Financial Institutions	8,466,912
Investments	47,575
	<u>\$ 8,517,855</u>

A. Deposits with Financial Institutions

Deposits include certificates of deposits and demand deposit accounts, including certain interest bearing demand deposit accounts. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Georgia Highlands College's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the Georgia Highlands College) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated (O.C.G.A.) § 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal

Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.

6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Georgia Highlands College participates in the State's Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. The Georgia Office of State Treasurer (OST) sets the collateral requirements and pledging level for each covered depository. There are four tiers of collateralization levels specifying percentages of eligible securities to secure covered Deposits: 25%, 50%, 75%, and 110%. The SDP also provides for collateral levels to be increased to amount of up to 125% if economic or financial conditions warrants. The program lists the type of eligible collateral. The OST approves authorized custodians.

In accordance with the SDP, if a covered depository defaults, losses to public depositors are first satisfied with any applicable insurance, followed by demands of payment under any letters of credit or sale of the covered depository's collateral. If necessary, any remaining losses are to be satisfied by assessments made against the other participating covered depositories. Therefore, for disclosure purposes, all deposits of the SDP are considered to be fully collateralized.

At June 30, 2021, the bank balances of the Georgia Highlands College's deposits totaled \$9,093,138. This balance includes deposits in Fiduciary funds as these balances are not separable from the holdings of the USG. Of these deposits, \$0 were exposed to custodial credit risk.

B. Investments

The Georgia Highlands College maintains an investment policy which fosters sound and prudent judgment in the management of assets to ensure safety of capital consistent with the fiduciary responsibility it has to the citizens of Georgia and which conforms to Board of Regents investment policy. All investments are consistent with donor intent, Board of Regents policy and applicable federal and state laws.

The following table summarizes the valuation of the Georgia Highlands College's investments measured at fair value on a recurring basis and at net asset value as of June 30, 2021.

	<u>Fair Value</u>
Investment type:	
Investment Pools	
Board of Regents	
Fund	47,575
Total Investments	<u>\$ 47,575</u>

Investments classified in Level 1 are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the Georgia Highlands College's ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

The Georgia Highlands College holds positions in the Georgia Fund 1 and Georgia Extended Asset Pool investment pools managed by the Georgia Office of the State Treasurer. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The Georgia

Highlands College does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Board of Regents Pooled Investment Program

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG's monies for investment purposes. The investment pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund's investment returns.

The USG maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws. Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk.

The Georgia Highlands College's position is the pooled investment fund options are described below.

1. Balanced Income Fund

The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents.

The equity allocation shall range between 20% and 40%, with a target of 30% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 60% and 80%, with a target of 70% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Georgia Highlands College's position in the Balanced Income Fund at June 30, 2021 was \$47,575, of which 65% is invested in debt securities. The Effective Duration of the Fund is 7.13 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Georgia Highlands College policy for managing interest risk attempts to match investments with expected cash requirements.

	<u>Fair Value</u>
Investment type:	
Investment Pools	
Board of Regents	
Fund	47,575
Total Investments	<u>\$ 47,575</u>

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for managing credit quality risk is contained in the investment policy guidelines for the various pooled investment funds, colleges, universities, and foundations:

In the Balanced Income Fund, Total Return Fund, and Diversified Fund, total fixed income portfolios should have an average credit quality rating of at least A. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short-term debt instruments rated at least AA+.

Note 3 Accounts Receivable

Accounts receivable consisted of the following at June 30, 2021:

	Business Type Activities	Fiduciary Fund
Student Tuition and Fees	\$ 653,975	\$—
Auxiliary Enterprises and Other Operating Activities	114,962	
Federal Financial Assistance	2,287,142	411,007
State General Appropriations Allotment	—	—
Georgia Student Finance Commission	—	249,732
Georgia State Financing and Investment Commission	314,390	—
Margin Allocation Funds	—	—
Due from Affiliated Organizations	—	—
Due from Component Units	—	—
Due From Other USG Institutions	239,310	—
Other	119,010	56,647
	<u>3,728,789</u>	<u>717,386</u>
Less: Allowance for Doubtful Accounts	401,692	—
Net Accounts Receivable	<u>\$ 3,327,097</u>	<u>\$ 717,386</u>

Note 4 Inventories

At June 30, 2021, Georgia Highlands College had no inventories.

Note 5 Notes and Loans Receivable

At June 30, 2021, Georgia Highlands College had zero notes/loans receivable.

Note 6 Capital Assets

Changes in capital assets for the year ended June 30, 2021 are shown below:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 3,069,490	\$ —	\$ —	\$ 3,069,490
Capitalized Collections	—	—	—	—
Construction Work-in-Progress	451,654	310,547	762,201	—
Software Development-in-Progress	—	—	—	—
Total Capital Assets Not Being Depreciated	3,521,144	310,547	762,201	3,069,490
Capital Assets, Being Depreciated/Amortized:				
Infrastructure	2,399,962	—	—	2,399,962
Building and Building Improvements	82,677,356	4,101,858	—	86,779,214
Facilities and Other Improvements	1,166,524	220,829	—	1,387,353
Equipment	5,366,976	779,425	181,807	5,964,594
Library Collections	3,892,306	11,882	284,850	3,619,338
Capitalized Collections	10,634	—	10,634	—
Water, Timber, Mineral Rights, and Easements	—	—	—	—
Patents, Trademarks, and Copyrights	—	—	—	—
Software	—	—	—	—
Total Capital Assets Being Depreciated/Amortized	95,513,758	5,113,994	477,291	100,150,461
Less: Accumulated Depreciation/Amortization				
Infrastructure	1,627,411	64,548	—	1,691,959
Building and Building Improvements	23,408,692	1,631,657	—	25,040,349
Facilities and Other Improvements	913,062	24,454	—	937,516
Equipment	3,457,016	359,455	176,184	3,640,287
Library Collections	3,063,426	182,183	284,850	2,960,759
Capitalized Collections	1,152	1,063	2,215	—
Water, Timber, Mineral Rights, and Easements	—	—	—	—
Patents, Trademarks, and Copyrights	—	—	—	—
Software	—	—	—	—
Total Accumulated Depreciation/Amortization	32,470,759	2,263,360	463,249	34,270,870
Total Capital Assets, Being Depreciated/Amortized, Net	63,042,999	2,850,634	14,042	65,879,591
Capital Assets, net	\$ 66,564,143	\$ 3,161,181	\$ 776,243	\$ 68,949,081

For projects managed by GSFIC, GSFIC retains construction-in-progress on its books throughout the construction period and transfers the entire project to the Georgia Highlands College when complete. For projects managed by the Georgia Highlands College, the Georgia Highlands College retains construction-in-progress on its books and is reimbursed by GSFIC.

A comparison of depreciation expense for the last three fiscal years is as follows:

Fiscal Year	Depreciation Expense
2021	\$ 2,263,360
2020	\$ 2,100,697
2019	\$ 1,848,449

Note 7 Advances (Including Tuition and Fees)

Advances, including tuition and fees, consisted of the following at June 30, 2021:

	Current Liabilities	Non-Current Liabilities
Prepaid Tuition and Fees	\$ 1,379,530	\$ —
Research	—	—
Other - Advances	57,975	—
Totals	<u>\$ 1,437,505</u>	<u>\$ —</u>

Fiduciary fund advances in the amount of \$0 consists of student support received prior to eligibility requirements being met.

Note 8 Long-Term Liabilities

Changes in long-term liability for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Leases					
Lease Purchase Obligations	\$ 14,927,048	\$ 13,895,634	\$ 14,927,048	\$ 13,895,634	\$ 487,246
Other Liabilities					
Compensated Absences	1,127,428	766,976	839,116	1,055,288	782,636
Net Pension Liability	—	—	—	—	—
Notes and Loans Payable	—	—	—	—	—
Claims and Judgments	—	—	—	—	—
Net Other Post Employment Benefits Liability	—	—	—	—	—
Pollution Remediation	—	—	—	—	—
Total	<u>1,127,428</u>	<u>766,976</u>	<u>839,116</u>	<u>1,055,288</u>	<u>782,636</u>
Total Long-Term Obligations	<u>\$ 16,054,476</u>	<u>\$ 14,662,610</u>	<u>\$ 15,766,164</u>	<u>\$ 14,950,922</u>	<u>\$ 1,269,882</u>

Note 9 Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2021, consisted of the following:

Deferred Outflow of Resources

Deferred Outflow on Debt Refunding	\$	—
Deferred Outflow on Defined Benefit Pension Plans (See Note 14)		7,476,692
Deferred Outflow on OPEB Plan (See Note 17)		6,119,514
Accumulated Decrease in Fair Value of Hedging Instruments		—
Other Deferred Outflows of Resources		—
Total Deferred Outflows of Resources	\$	13,596,206

Deferred Inflow of Resources

Deferred Inflow on Debt Refunding	\$	605,602
Unavailable Revenues		—
Deferred Service Concession Arrangements		—
Deferred Inflow on Defined Benefit Pension Plans (See Note 14)		693,214
Deferred Inflow on OPEB Plan (See Note 17)		3,142,771
Deferred Inflows of Resources - Split Interest Agreements		—
Accumulated Increase in Fair Value of Hedging Instruments		—
Other Deferred Inflows of Resources		—
Total Deferred Inflows of Resources	\$	4,441,587

Service Concessions Arrangements

At June 30, 2021, the College had no service concession arrangements that met the materiality threshold for discrete financial reporting.

Note 10 Net Position

The breakdown of business-type activity net position for the Georgia Highlands College fund at June 30, 2021 is as follows:

Net Investment in Capital Assets	\$ 54,137,298
Restricted for	
Nonexpendable	
Permanent Endowment	47,575
Expendable	
Sponsored and Other Organized Activities	49,356
Unrestricted	
Auxiliary Enterprises Operations	1,899,802
Reserve for Encumbrances	5,439,804
Capital Liability Reserve Fund	115,505
Other Unrestricted	(50,505,596)
Sub-Total	(43,050,485)
Total Net Position	\$ 11,183,744

Other unrestricted net position is reduced by 33,035,996 related to the recording of net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan. Other unrestricted net position is also reduced by 18,601,704 related to the recording of net pension liability, deferred inflows of resources, and deferred outflows of resources on defined benefit pension plans. These OPEB and pension balances are mostly funded through state appropriation and student tuition and fees that are subject to State surplus rules which prevents the accumulation of budgetary fund balance. Therefore, the Georgia Highlands College is statutorily unable to maintain accumulated net position to offset these OPEB and pension balances.

Changes in Net Position for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Net Investments in Capital Assets	\$ 51,568,642	\$ 19,589,388	\$ 17,020,732	\$ 54,137,298
Restricted Net Position	91,602	21,601,981	21,596,652	96,931
Unrestricted Net Position	(43,786,306)	34,877,589	34,141,768	(43,050,485)
Total Net Position	\$ 7,873,938	\$ 76,068,958	\$ 72,759,152	\$ 11,183,744

Note 11 Endowments

Donor Restricted Endowments

Investments of the Georgia Highlands College's endowment funds are pooled, unless required to be separately invested by the donor. For Georgia Highlands College controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits Institutions to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Realized and unrealized appreciation in excess of the amount budgeted for current spending is retained by the

endowments. Current year value for the endowment accounts was \$47,575 and is reflected as expendable restricted net position.

For endowment funds where the donor has not provided specific instructions, investment return of the Georgia Highlands College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure.

Note 12 Significant Commitments

As of June 30, 2021, Georgia Highlands College did not have any outstanding significant unearned construction or renovation contracts.

Note 13 Leases

Lease Obligations

The Georgia Highlands College is obligated under various capital and operating lease agreements for the acquisition or use of real property and equipment.

Capital Leases

The Georgia Highlands College acquires certain real property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. § 50-5-64, these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the Georgia Highlands College. In addition, these agreements shall terminate if the State does not provide adequate funding, but that is considered a remote possibility. The Georgia Highlands College's principal and interest cash payments related to capital leases for fiscal year 2021 were \$425,812 and \$858,588, respectively. Interest rates range from 0.03705.

The following is a summary of the carrying values of assets held under capital lease at June 30, 2021:

Description	Gross Amount	Less: Accumulated Depreciation	Net, Capital Assets Held Under Capital Lease at June 30, 2021	Outstanding Balance per Lease Schedules at June 30, 2021
	(+)	(-)	(=)	
Leased Buildings and Building Improvements	17,858,542	4,912,616	12,945,926	13,895,634
Total Assets Held Under Capital Lease	<u>\$ 17,858,542</u>	<u>\$ 4,912,616</u>	<u>\$ 12,945,926</u>	<u>\$ 13,895,634</u>

The following schedule lists the pertinent information for each of the Georgia Highlands College's capital leases:

Description	Lessor	Original Principal	Lease Term	Begin Month/ Year	End Month/ Year	Outstanding Principal
Cartersville Student Center	Georgia Highlands College Foundation LLC	\$ 13,895,634	20 Years	Jul 2021	Jun, 2041	\$ 13,895,634 (1)
Total Leases		<u>\$ —</u>				<u>\$ —</u>

(1) These capital leases are related party transactions.

Certain capital leases provide for renewal and/or purchase options. Generally purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Operating Leases

The Georgia Highlands College leases land, facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the Georgia Highlands College has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease. The Georgia Highlands College's operating lease expense for fiscal 2021 was \$527,229, which includes payments to related parties of \$271,244. The Georgia Highlands College is obligated to pay these related parties a total of \$181,855 in the next fiscal year.

Future commitments for capital leases and for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2021, are as follows:

	Real Property and Equipment	
	Capital Leases	Operating Leases
Year Ending June 30:		
2022	\$ 1,060,818	\$ 196,796
2023	1,062,748	
2024	1,063,727	
2025	1,063,756	
2026	1,072,835	
2027 through 2031	6,466,882	
2032 through 2036	5,475,889	
2037 through 2041	4,430,908	
2042 through 2046	—	
Total Minimum Lease Payments	21,697,563	\$ 196,796
Less: Interest	6,056,455	
Less: Executory Costs	1,745,474	
Principal Outstanding	\$ 13,895,634	

Note 14. Retirement Plans

The significant retirement plans that the Georgia Highlands College participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Teachers Retirement System of Georgia and Employees' Retirement System of Georgia

Summary of Significant Accounting Policies

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and Employees' Retirement System (ERS), additions to/deductions for TRS's and ERS's fiduciary net position have been determined on the same basis as they are reported by TRS and ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teachers Retirement System

Plan description

All teachers of the Georgia Highlands College as defined in O.C.G.A. § 47-3-60 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to

establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at trs.ga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability.

Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2021. The Georgia Highlands College's contractually required contribution rate for the year ended June 30, 2021 was 19.06% of annual the Georgia Highlands College payroll. The Georgia Highlands College's contributions to TRS totaled \$2,513,227 for the year ended June 30, 2021.

General Information about the Employees' Retirement System

Plan description

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation.

The required contribution rate for the year ended June 30, 2021 was 19.91% of annual covered payroll for old plan members, 24.66% for new plan members and 21.57% for GSEPS members. The Georgia Highlands College's contributions to ERS totaled \$12,621 for the year ended June 30, 2021. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Georgia Highlands College reported a liability for its proportionate share of the net pension liability for TRS and ERS. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The Georgia Highlands College's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2020. At June 30, 2020, the Georgia Highlands College's TRS proportion was 0.104318%, which was an decrease of (0.003460)% from its proportion measured as of June 30, 2019. At June 30, 2020, the Georgia Highlands College's ERS proportion was 0.002735%, which was a decrease of (0.001492)% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Georgia Highlands College recognized pension expense of \$4,203,231 for TRS and \$29,788 for ERS. At June 30, 2021, the Georgia Highlands College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,100,512	\$ —	\$ 1,404	\$ —
Changes of assumptions	2,602,829	—	—	—
Net difference between projected and actual earnings on pension plan investments	608,630.00	—	1,628	—
Changes in proportion and differences between contributions and proportionate share of contributions	615,403	657,004	20,437	36,210
Contributions subsequent to the measurement date	2,513,227	—	12,621	—
Total	<u>\$ 7,440,601</u>	<u>\$ 657,004</u>	<u>\$ 36,090</u>	<u>\$ 36,210</u>

The Georgia Highlands College's contributions subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	TRS	ERS
2022	\$ 875,898	\$ (4,857)
2023	\$ 1,502,870	\$ (11,197)
2024	\$ 1,407,310	\$ 1,890
2025	\$ 484,292	\$ 1,423
2026	\$ —	\$ —

Actuarial assumptions

The total pension liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.50%
Salary increases	3.00% - 8.75%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% as used for death prior to retirement. Future improved in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the long-term assumed rate of return and the assumed annual rate of inflation.

Employees' Retirement System

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9–12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

The long-term expected rate of return on TRS and ERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	TRS target allocation	ERS target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	30.00 %	(0.10)%
Domestic large equities	51.00 %	46.20 %	8.90 %
Domestic mid equities			
Domestic small equities	1.50 %	1.30 %	13.20 %
International developed market equities	12.40 %	12.40 %	8.90 %
International emerging market equities	5.10 %	5.10 %	10.90 %
Alternatives	— %	5.00 %	12.00 %
Total	100.00 %	100.00 %	

* Rates shown are net of inflation

Discount rate

The discount rate used to measure the total TRS and ERS pension liability was 7.25% and 7.30%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and ERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Georgia Highlands College's proportionate share of the net pension liability calculated using the discount rate as well as what the Georgia Highlands College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Teachers Retirement System:

	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 40,072,033	\$ 25,269,903	\$ 13,136,400

Employees' Retirement System:

	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
Proportionate share of the net pension liability	\$ 162,177	\$ 115,279	\$ 75,257

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and ERS financial reports which are publically available at trsga.com/publications and ers.ga.gov/financials, respectively.

B. Defined Contribution Plan:

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. § 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia (Board). O.C.G.A. § 47-3-68(a) defines who may participate in the Regents Retirement Plan. An “eligible university system employee” is a faculty member or all exempt full and partial benefit eligible employees, as designated by the regulations of the Board. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from three approved vendors (VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

The institutions of the USG make monthly employer contributions to the Regents Retirement Plan on behalf of participants at rates determined by the Board. The Board reviews the contribution amount every three (3) years. For fiscal year 2021, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 6.00% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

The Georgia Highlands College and the covered employees made the required contributions of \$467,385 (9.24%) and \$303,496 (6.00%), respectively.

VALIC, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Note 15 Risk Management

The USG offers its employees and retirees under the age of 65 access to three self insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

The Georgia Highlands College's participating employees and eligible retirees pay premiums into the plan fund to access benefits coverage. All units of the USG share the risk of loss for claims associated with these plans. The plan fund is considered to be a self-sustaining risk fund. The USG has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of Anthem, Inc., to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees and eligible retirees of the USG, a fully insured HMO healthcare plan option also is offered through Kaiser Permanente. The Comprehensive Care plan has a carved-out prescription drug plan administered through CVS Caremark. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to CVS Caremark for verification, processing and payment. CVS Caremark maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. The self-insured dental plan is administered through Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to a health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare-related expenses.

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The Georgia Highlands College is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.

A self-insured program of professional liability for its employees was established by the Board of Regents of the University System of Georgia under powers authorized by the O.C.G.A § 45-9-1.

The program insures the employees to the extent that they are not immune from liability against personal liability for damages arising out of the performance of their duties or in any way connected therewith. The program is administered by DOAS as a Self-Insurance Fund.

Note 16 Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. This could result in refunds to the grantor agency for any expenditure disallowed under grant terms. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Institution expects such amounts, if any, to be immaterial to its overall financial position.

Litigation, claims and assessments filed against the Georgia Highlands College, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021.

Note 17 Post-Employment Benefits Other Than Pension Benefits

Board of Regents Retiree Health Benefit Plan

Plan Description and Funding Policy

The Board of Regents Retiree Health Benefit Plan (Plan) is a single-employer, defined-benefit, healthcare plan administered by the University System Office, an organizational unit of the USG. The Plan was authorized pursuant to OCGA § 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits.

Pursuant to the general powers conferred by the OCGA § 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the USG's Plan Year 2021, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan. The USG offers a self-insured dental plan administered by Delta Dental.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The USG makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The Georgia Highlands College's membership in the Plan consisted of the following at June 30, 2021:

Active Employees	315
Retirees or Beneficiaries Receiving Benefits	118
Retirees or Beneficiaries Eligible But Not Receiving Benefits	—
Retirees Receiving Life Insurance Only	38
	<hr/>
Total	<u>471</u>

The contribution requirements of plan members and the employer are established and may be amended by the Board. The Plan is substantially funded on a “pay-as-you-go” basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by Board designation.

The Georgia Highlands College pays the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the Board for the upcoming plan year. For the 2021 plan year, the employer rate was approximately 90% of the total health insurance cost for eligible retirees and the retiree rate was approximately 10%. With regard to life insurance, the employer covers the total premium cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the retiree.

For fiscal year 2021, the Georgia Highlands College contributed \$769,402 to the plan for current premiums or claims.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Georgia Highlands College reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2020. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The Georgia Highlands College’s proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2020. At June 30, 2020, the Georgia Highlands College’s proportion was 0.67519%, which was an increase of 0.000224% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Georgia Highlands College recognized OPEB expense of \$2,040,314. At June 30, 2021, the Georgia Highlands College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,828,780	\$ 144,279
Changes of assumptions	3,306,081	2,568,110
Net difference between projected and actual earnings on OPEB plan investments	—	11,209
Changes in proportion and differences between contributions and proportionate share of contributions	215,252	419,172
Contributions subsequent to the measurement date	769,402	—
Total	<u>\$ 6,119,515</u>	<u>\$ 3,142,770</u>

The Georgia Highlands College's contributions subsequent to the measurement date of \$769,402 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2022	\$	(30,511)
2023	\$	(7,262)
2024	\$	437,267
2025	\$	443,650
2026	\$	458,600
Thereafter	\$	905,599

Actuarial assumptions

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of May 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost Method	Entry Age Normal
Amortization Method	Closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Method	Fair Value
Interest Discounting and Salary Growth	Bond Index Interest Rate as of 6/30/2019 3.50% from Bond Buyers GO 20-Bond Municipal Bond Index Long-term Rate of Return 3.75% General Inflation 2.10% Salary Increase 4.00%
Mortality Rates	
	Pub - 2010 for Teachers (headcount weighted) projected with a scale MP-2019
Initial Healthcare Cost Trend	
Pre-Medicare Eligible	6.7%
Medicare Eligible	4.5%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.5%
Medicare Eligible	4.5%
Year Ultimate Trend is Reached	Fiscal Year 2031 for Pre-Medicare Eligible, Fiscal Year 2020 for Medicare Eligible
Experience Study	
	Economic and demographic assumptions are based on the results of the most recent actuarial experience study over the Plan, which covered a three-year period ending June 30, 2019. All other assumptions are based on the results of the most recent actuarial experience study of the Teachers Retirement System of Georgia, which cover the five year period ending June 30, 2014.

Changes in Assumptions Since Prior Valuation

Future experience as the result of an assumption study. The special coverage assumption and the special age difference assumption were updated to better reflect anticipated future experience as the result of an assumption study.

Plan Changes:

HRA cost sharing for employees hired on or after January 1, 2013 and retiring after January 1, 2018 is based on a policy that ties years of service to the amount the USG contributes based on 22-tiers ranging from 100% for employees retiring with 30 years of service to 21% for employees retiring with 10 years of service.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return, Net of Inflation	Target Allocation
Fixed Income	— %	70 %
Equity Allocation	4.51 %	30 %

Discount rate

The Plan's projected fiduciary net position at the end of 2023 is \$0, based on the valuation completed for the fiscal year ending June 30, 2020. As such, the Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits

are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on Plan investments of 4.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as June 30, 2020. Instead, a yield or index rate for a 20 year, tax-exempt general obligation municipal bond with an average rating of AA or higher was used. This rate was determined to be 2.21% from the Bond Buyer.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the the Georgia Highlands College's proportionate share of the net OPEB liability, as well as what the Georgia Highlands College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%) or 1% higher (3.21%) than the current discount rate (2.21%):

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
Proportionate Share of the Net OPEB Liability	\$ 43,902,772	\$ 36,012,739	\$ 29,698,215

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Georgia Highlands College's proportionate share of the net OPEB liability, as well as what the Georgia Highlands College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Proportionate Share of the Net OPEB Liability	\$ 29,860,169	\$ 36,012,739	\$ 43,814,175
Pre-Medicare Eligible	5.7% decreasing to 3.5%	6.7% decreasing to 4.5%	7.7% decreasing to 5.5%
Medicare Eligible	3.5%	4.5%	5.5%

OPEB plan fiduciary net position:

Detailed information about the Plan's fiduciary net position is available in the USG Consolidated Annual Financial Report which is publicly available at usg.edu/fiscal_affairs/financial_reporting/.

Note 18 Operating Expenses with Functional Classifications

Business-type activity operating expenses by functional classification for fiscal 2021 are shown below:

Functional Classification	Natural Classification				
	Faculty Salaries	Staff Salaries	Employee Benefits	Personal Services	Travel
Instruction	\$ 9,949,080	\$ 1,154,649	\$ 3,539,076	\$ —	\$ 1,951
Research	—	—	—	—	—
Public Service	—	—	—	—	—
Academic Support	901,209	1,271,005	739,276	3,139	1,091
Student Services	105,261	2,099,457	763,951	—	3,562
Institutional Support	246,264	3,663,078	4,912,525	5,018	2,663
Plant Operations and Maintenance	—	740,992	360,623	—	—
Scholarships and Fellowships	—	—	—	123,454	—
Auxiliary Enterprises	—	454,028	151,476	—	5,585
Patient Care	—	—	—	—	—
Unallocated Expenses	—	—	—	—	—
Total Operating Expenses	\$ 11,201,814	\$ 9,383,209	\$ 10,466,927	\$ 131,611	\$ 14,852

Functional Classification	Natural Classification				Total Operating Expenses
	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation/Amortization	
Instruction	\$ —	\$ —	\$ 452,535	\$ 126,344	\$ 15,223,635
Research	—	—	—	—	—
Public Service	—	—	9,409	1,776	11,185
Academic Support	—	—	255,780	182,829	3,354,329
Student Services	155,514	126,837	297,604	613,371	4,165,557
Institutional Support	697,000	184,809	5,175,855	244,548	15,131,760
Plant Operations and Maintenance		1,095,228	2,073,898	1,089,114	5,359,855
Scholarships and Fellowships	7,795,585	—	8,711	89	7,927,839
Auxiliary Enterprises	277,756	16,716	212,125	5,289	1,122,975
Patient Care	—	—	—	—	—
Unallocated Expenses	—	—	—	—	—
Total Operating Expenses	<u>\$ 8,925,855</u>	<u>\$ 1,423,590</u>	<u>\$ 8,485,917</u>	<u>\$ 2,263,360</u>	<u>\$ 52,297,135</u>

Required Supplementary Information

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
DEFINED BENEFIT PENSION PLAN
FOR THE LAST TEN YEARS**

	Year Ended	Actuarially Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
Employees' Retirement System	June 30, 2021	\$ 12,621	\$ 12,621	\$ —	\$ 51,181	24.66%
	June 30, 2020	\$ 17,007	\$ 17,007	\$ —	\$ 68,968	24.66%
	June 30, 2019	\$ 26,403	\$ 26,403	\$ —	\$ 106,681	24.75%
	June 30, 2018	\$ 12,323	\$ 12,323	\$ —	\$ 37,252	33.08%
	June 30, 2017	\$ 10,850	\$ 10,850	\$ —	\$ 44,470	24.40%
	June 30, 2016	\$ 22,136	\$ 22,136	\$ —	\$ 89,312	24.79%
	June 30, 2015	\$ 33,264	\$ 33,264	\$ —	\$ 137,012	24.28%
	June 30, 2014	\$ 18,506	\$ 18,506	\$ —	\$ 100,231	18.46%
	June 30, 2013	\$ 18,360	\$ 18,360	\$ —	\$ 187,962	9.77%
	June 30, 2012	\$ 21,860	\$ 21,860	\$ —	\$ 184,207	11.87%
Teachers' Retirement System	June 30, 2021	\$ 2,513,227	\$ 2,513,227	\$ —	\$ 12,920,000	19.45%
	June 30, 2020	\$ 2,850,480	\$ 2,850,480	\$ —	\$ 13,518,873	21.09%
	June 30, 2019	\$ 2,753,015	\$ 2,753,015	\$ —	\$ 13,225,703	20.82%
	June 30, 2018	\$ 2,107,630	\$ 2,107,630	\$ —	\$ 12,506,677	16.85%
	June 30, 2017	\$ 1,655,362	\$ 1,655,362	\$ —	\$ 11,579,617	14.30%
	June 30, 2016	\$ 1,634,939	\$ 1,634,939	\$ —	\$ 11,466,098	14.26%
	June 30, 2015	\$ 1,451,392	\$ 1,451,392	\$ —	\$ 11,049,066	13.14%
	June 30, 2014	\$ 1,323,087	\$ 1,323,087	\$ —	\$ 11,612,173	11.39%
	June 30, 2013	\$ 1,100,030	\$ 1,100,030	\$ —	\$ 10,700,681	10.28%
	June 30, 2012	\$ 1,016,816	\$ 1,016,816	\$ —	\$ 9,891,206	10.28%

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
FOR THE LAST SEVEN FISCAL YEARS***

	Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Employees' Retirement System	June 30, 2021	0.002735%	\$ 115,279	\$ 68,968	186.92%	76.21%
	June 30, 2020	0.004227%	\$ 174,428	\$ 106,681	163.50%	76.74%
	June 30, 2019	0.001947%	\$ 80,042	\$ 37,252	214.87%	76.68%
	June 30, 2018	0.001813%	\$ 73,632	\$ 44,470	165.58%	76.33%
	June 30, 2017	0.004000%	\$ 181,695	\$ 89,312	203.44%	72.34%
	June 30, 2016	0.004000%	\$ 191,996	\$ 137,012	140.13%	76.20%
	June 30, 2015	—%	\$ —	\$ —	—%	—%
Teachers Retirement System	June 30, 2021	0.104318%	\$ 25,269,903	\$ 13,518,873	186.93%	77.01%
	June 30, 2020	0.107778%	\$ 23,175,184	\$ 13,225,703	175.23%	78.56%
	June 30, 2019	0.104945%	\$ 19,480,040	\$ 12,506,677	155.76%	80.27%
	June 30, 2018	0.100601%	\$ 18,697,006	\$ 11,579,617	161.46%	79.33%
	June 30, 2017	0.104517%	\$ 21,563,022	\$ 11,466,098	188.06%	76.06%
	June 30, 2016	0.105000%	\$ 15,922,180.00	\$ 11,049,066.00	144.10%	81.44%
	June 30, 2015	—%	\$ —	\$ —	—%	—%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
DEFINED BENEFIT PENSION PLANS
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30, 2021**

Changes of assumptions

Employees' Retirement System:

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date. The assumed investment rate of return remained at 7.30% for the June 30, 2019 actuarial valuation.

Teachers Retirement System:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

On May 15, 2019, the Board adopted and recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR OBEP PLAN
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST FIVE YEARS***

Year Ended	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
June 30, 2021	\$ 769,402	\$ 769,402	\$ —	\$ 18,614,532	4.13%
June 30, 2020	\$ 694,041	\$ 694,041	\$ —	\$ 18,765,612	3.70%
June 30, 2019	\$ 1,082,531	\$ 1,082,531	\$ —	\$ 18,611,126	5.82%
June 30, 2018	\$ 1,064,532	\$ 1,064,532	\$ —	\$ 17,318,363	6.15%
June 30, 2017	\$ 664,860	\$ 664,860	\$ —	\$ 15,677,458	4.24%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
FOR THE LAST FOUR YEARS***

Year Ended	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2021	0.675190%	\$ 36,012,739	\$ 18,765,612	191.91%	2.91%
June 30, 2020	0.674966%	\$ 30,181,564	\$ 18,611,126	162.17%	3.13%
June 30, 2019	0.671968%	\$ 29,638,836	\$ 17,318,863	171.14%	1.69%
June 30, 2018	0.667638%	\$ 28,172,493	\$ 15,677,458	179.70%	0.19%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**GEORGIA HIGHLANDS COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
BOARD OF REGENTS RETIREE HEALTH BENEFIT PLAN
METHODS AND ASSUMPTIONS
FOR FISCAL YEAR ENDED JUNE 30,**

Changes in Assumptions Since Prior Valuation

Experience assumptions were updated to better reflect anticipated future experience as the result of an assumption study.

Plan Changes:

HRA cost sharing for employees hired on or after January 1, 2013 and retiring after January 1, 2018 is based on a policy that ties years of service to the amount the USG contributes based on 22-tiers ranging from 100% for employees retiring with 30 years of service to 21% for employees retiring with 10 years of service.

Supplementary Information

**GEORGIA HIGHLANDS COLLEGE
BALANCE SHEET (NON-GAAP BASIS)
BUDGET FUNDS
JUNE 30, 2021
(UNAUDITED)**

ASSETS

Cash and Cash Equivalents	\$	4,679,011.89
Investments		—
Accounts Receivable		
State Appropriation		—
Federal Financial Assistance		2,287,142.11
Other		1,648,825.70
Margin Allocation		—
Prepaid Expenditures		1,265.00
Inventories		—
Other Assets		123,805.62
		<hr/>
Total Assets	\$	<u>8,740,050.32</u>

LIABILITIES AND FUND EQUITY

Liabilities

Cash Overdraft	\$	—
Contracts Payable		—
Accrued Payroll	\$	30,876.80
Payroll Withholdings		—
Encumbrance Payable		5,299,009.21
Accounts Payable		326,642.55
Unearned Revenue		1,052,292.91
Funds Held for Others		105,481.73
Other Liabilities		—
		<hr/>
Total Liabilities		<u>6,814,303.20</u>

Fund Balances

Reserved		
Capital Outlay		—
Department Sales and Services		604,919.60
Indirect Cost Recoveries		113,870.26
Technology Fees		466,611.54
Restricted/Sponsored Funds		50,062.13
Uncollectible Accounts Receivable		345,896.58
Inventories		—
Tuition Carry - Forward		321,275.02
Carry-Over "Per Governor's Office of Planning and Budget"		—
Early Retirement Program		—
Unreserved		
Surplus		23,111.99
		<hr/>
Total Fund Balances		<u>1,925,747.12</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u>8,740,050.32</u>

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Funds Available Compared to Budget			
	Original Appropriation	Final Budget	Current Year Revenues	Prior Year Reserve Carry-Over
Teaching				
State Appropriation				
State General Funds	\$ 18,369,821.00	\$ 20,133,599.00	\$ 20,133,599.00	\$ —
American Recovery and Reinvestment Act				
Federal Coronavirus Relief Funds		2,075,635.00	2,054,881.45	
State Fiscal Stabilization Fund				
Other Funds	47,029,899.00	56,814,762.00	56,253,149.68	1,457,073.92
Total Teaching				
Total Operating Activity				

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA HIGHLANDS COLLEGE
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Funds Available Compared to Budget			Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
	Program Transfers or Adjustments	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
Teaching						
State Appropriation						
State General Funds	—	20,133,599.00	—	20,133,148.54	450.46	450.46
American Recovery and Reinvestment Act						
Federal Coronavirus Relief Funds		2,054,881.45	(20,753.55)	2,054,881.45	20,753.55	
State Fiscal Stabilization Fund						
Other Funds	—	57,710,223.60	895,461.60	56,095,378.26	719,383.74	1,614,845.34
Total Teaching						
Total Operating Activity						

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**GEORGIA HIGHLANDS COLLEGE
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Fund Balance/(Deficit)	Fund Balance Carried Over from Prior Year as Funds Available	Return of Fiscal Year 2019 Surplus	Prior Year Adjustments	Other Adjustments
Public Service / Special Funding Initiatives					
State Appropriation					
State General Funds	—	—	—	—	—
Tobacco Funds	—	—	—	—	—
Federal Stimulus Stabilization Funds	—	—	—	—	—
Other Funds	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—
Research Consortium					
State Appropriation					
State General Funds	—	—	—	—	—
Tobacco Funds	—	—	—	—	—
Federal Stimulus Stabilization Funds	—	—	—	—	—
Other Funds	—	—	—	—	—
Total Research Consortium	—	—	—	—	—
Teaching					
State Appropriation					
State General Funds	\$ 54,034.51	\$ —	\$ (54,034.51)	\$ 4,879.10	\$ —
American Recovery and Reinvestment Act					
Federal Funds Not Specifically Identified	—	—	—	—	—
State Fiscal Stabilization Fund					
Stabilization Fund - Education State Grants	—	—	—	—	—
Other Funds	1,635,458.13	(1,457,073.92)	(178,384.21)	(37,971.78)	(1,902.12)
Total Teaching	1,689,492.64	(1,457,073.92)	(232,418.72)	(33,092.68)	(1,902.12)
Total Operating Activity	1,689,492.64	(1,457,073.92)	(232,418.72)	(33,092.68)	(1,902.12)
Prior Year Reserves					
Not Available for Expenditure					
Inventories	—	—	—	—	—
Uncollectible Accounts Receivable	343,994.46	—	—	—	1,902.12
Early Retirement Program (Georgia Health Sciences University)	—	—	—	—	—
Budget Unit Totals	\$ 2,033,487.10	\$ (1,457,073.92)	\$ (232,418.72)	\$ (33,092.68)	\$ —

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

**GEORGIA HIGHLANDS COLLEGE
STATEMENT OF CHANGES TO FUND BALANCE
BY PROGRAM AND FUNDING SOURCE
BUDGET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Early Return of Fiscal Year 2018 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
Public Service / Special Funding Initiatives						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Public Service / Special Funding Initiatives	—	—	—	—	—	—
Research Consortium						
State Appropriation						
State General Funds	—	—	—	—	—	—
Tobacco Funds	—	—	—	—	—	—
Other Funds	—	—	—	—	—	—
Total Research Consortium	—	—	—	—	—	—
Teaching						
State Appropriation						
State General Funds	—	450.46	5,329.56	—	5,329.56	5,329.56
Other Funds	—	1,614,394.88	1,574,520.98	1,556,738.55	17,782.43	1,574,520.98
Total Teaching	—	1,614,845.34	1,579,850.54	1,556,738.55	23,111.99	1,579,850.54
Total Operating Activity	—	1,614,845.34	1,579,850.54	1,556,738.55	23,111.99	1,579,850.54
Prior Year Reserves						
Not Available for Expenditure						
Inventories			—	—		—
Uncollectible Accounts Receivable			345,896.58	345,896.58		345,896.58
Early Retirement Program (Georgia Health Sciences University)			—	—		—
Budget Unit Totals	—	1,614,845.34	1,925,747.12	1,902,635.13	23,111.99	1,925,747.12
Capital Outlay				—	—	—
Departmental Sales and Services				604,919.60	—	604,919.60
Indirect Cost Recovery				113,870.26	—	113,870.26
Technology Fees				466,611.54	—	466,611.54
Restricted/Sponsored Funds				50,062.13	—	50,062.13
Property Reserves				—	—	—
Tuition Carry-Forward				321,275.02	—	321,275.02
Uncollectible Accounts Receivable				345,896.58	—	345,896.58
Inventories				—	—	—
Early Retirement Program				—	—	—
Surplus				—	23,111.99	23,111.99
Deficit				—	—	—
				1,902,635.13	23,111.99	1,925,747.12

Actual amounts were prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a special purpose framework.

GEORGIA HIGHLANDS COLLEGE

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